



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Rawlins Field Office
1300 North Third Street
P.O. Box 2407
Rawlins, Wyoming 82301-2407

In Reply Refer To:

1790

July 29, 2002

Re: Blue Sky Pod Coalbed Methane Project

Dear Reader:

We are providing you a copy of the enclosed Decision Record for your information and use. This document identifies our decision regarding the Blue Sky Pod Project and explains the rationale for reaching the decision. Included with this document are the applicant-committed environmental practices and protection measures and additional mitigation requirements for the implementation of this project.

On January 24, 2002, we released the *Environmental Assessment for the Atlantic Rim Coalbed Methane Project, Blue Sky Pod*. The environmental assessment was prepared in order to satisfy the requirements of the National Environmental Policy Act, other regulations, and statutes to fully disclose the potential environmental impacts of the alternatives (Proposed Action and No Action) and to solicit public comment on them. The assessment also identified additional mitigation measures to further reduce potential impacts.

A copy of this decision has been sent to governmental entities, individuals, and organizations who commented on this project. We wish to thank individuals and organizations who provided input throughout this analysis.

If you have any questions regarding this decision or need additional information, please contact Brenda Vosika Neuman, Project Lead, at the address shown above or phone (307) 328-4389.

Sincerely,


Field Manager

Enclosure

**DECISION RECORD AND
FINDING OF NO SIGNIFICANT IMPACT
FOR THE
ATLANTIC RIM COALBED METHANE PROJECT
BLUE SKY POD EA**

INTRODUCTION

Petroleum Development Corporation (PEDCO) of Gillette, Wyoming, has notified the Bureau of Land Management (BLM), Rawlins Field Office, that the company proposes to explore and potentially develop coalbed methane (CBM) wells in the Blue Sky Project Area (project area) of the Atlantic Rim Project Area (ARPA) of southcentral Wyoming. The Blue Sky proposal is part of the exploration drilling activities under consideration for the acquisition of data necessary to prepare the Environmental Impact Statement (EIS) within the ARPA.

Because of the length of time necessary to complete the EIS, the operators asked the BLM to consider allowing some exploration drilling within the ARPA. On June 1, 2001, an Interim Drilling Policy (IDP) was sent to all operators participating in the proposal to develop CBM resources in the ARPA. The IDP was prepared by the Rawlins Field Office EIS Interdisciplinary Team, with recommendations from the BLM's Reservoir Management Group. The IDP was developed as a way to manage interim activities concurrently with EIS preparation. The IDP states that, prior to the development of any exploration activity, an environmental assessment will be prepared for all pods developed on federal acreage. Interim drilling activities will be monitored by the BLM to ensure that such activities do not significantly affect the environment or prejudice decisions to be made as a result of the analysis to be conducted in the ARPA EIS.

This interim development project consists of drilling, completing, and producing a total of 23 exploratory CBM wells, 2 injection wells, access roads, a compressor station, and other related production and water disposal facilities in the project area. All 23 of the proposed well sites are located on surface lands administered by the BLM. A total of 19 of the proposed wells would develop federal minerals. The remaining four proposed wells would develop state minerals. One existing well, S&W State 1-16, will also be tied into the project. This well is located on lands under BLM surface ownership and State of Wyoming mineral ownership. The project area encompasses approximately 1,921 acres. The life of the project is estimated to be 10 to 20 years.

The project area is located about 18 miles northeast of Baggs, Wyoming, in the Muddy Creek watershed within the Colorado River Basin System, and several miles outside of the Baggs Elk Crucial Winter Range Area. The historic Cherokee Trail, a western travel route dating from the 1800s, is located several miles to the south, outside the project area.

Access to the project area is by State Highway (SH) 789 and Carbon County Road 608 (Dad Road). From Creston Junction travel about 20 miles on SH 789 to the intersection of Dad Road and head east on this road about six miles to reach the project area.

ALTERNATIVES CONSIDERED

The *Environmental Assessment (EA) for the Atlantic Rim CBM Project, Blue Sky Pod* analyzed two alternatives. The Proposed Action considered CBM activities to occur on federal lands. Under the Proposed Action, 23 wells would be drilled on federal lands administered by the BLM. The proposed CBM development is based on a Wyoming Oil and Gas Conservation Commission (WOGCC) approved 80-acre

well spacing pattern. In addition to well sites, other facilities, such as access roads, gas gathering and water disposal pipelines, electrical utilities, and compressors, would be developed to facilitate natural gas (methane) production in the well fields. The interim project would develop over a 6 to 12 month period. The productive life of the project is estimated between 10 and 20 years. Each well would be production tested continuously for a period of 6 to 12 months to evaluate the commercial feasibility of producing CBM from coals in the Almond and Allen Ridge Formations of the Mesaverde Group.

Under the No Action Alternative, the BLM analyzed the impacts associated with one approved CBM well located on federal surface/state mineral land, an existing well access road, and denial of any further development of federal lands associated with this project. This alternative provides a benchmark, enabling the decision-maker to compare the magnitude of the environmental effects of the alternatives.

No other alternatives were considered because, in order to prevent significant impacts to the environment, the IDP limits the placement of CBM exploratory activities to areas where sensitive resources do not exist. Exploration activity was centered where the best geologic and hydrologic information could be obtained outside of these sensitive resource areas.

DECISION

Based upon the analysis of the potential environmental impacts described in the *Environmental Assessment (EA) for the Atlantic Rim Coalbed Methane Project, Blue Sky Pod*, and in consideration of the public, industry, and governmental agency comments received during the environmental analysis process, the BLM approves the Proposed Action as described in Chapter 2 of the EA and associated errata (see Appendix A) for the drilling and construction of 23 CBM wells and associated facilities within the project area. The decision incorporates the Project-Wide Mitigation Measures and Procedures identified in Appendix C, as modified, and the Conditions of Approval described in Appendices D and E.

APPROVED PROJECT COMPONENTS

The decision authorizes the initiation of permit approvals for the following project components on BLM-administered federal lands and/or minerals within the project area, subject to the requirements identified in Appendix C, as modified, and Conditions of Approval described in Appendices D and E.

- Development of 23 CBM wells located on federal lands within the project area with an initial total disturbance of 28.8 acres and a life-of-project (LOP) disturbance of less than 5.8 acres.
- Development of two new injections wells with an initial disturbance of 2.0 acres and LOP disturbance of 2.0 acres.
- Construction of new access roads and facilities associated with CBM development including gas gathering pipelines, water discharge lines, and power lines that will be buried parallel to road rights-of-way. Estimated initial disturbance is 34.9 acres with a LOP disturbance of 17.8 acres.
- Upgrade of an existing road resulting in an initial and LOP disturbance of 2.8 acres.
- Construction of new a sales pipeline resulting in an initial disturbance of 3.1 acres. The line would be wholly reclaimed resulting in LOP disturbance of 0 acres.
- Construction of a compressor site with an approximate disturbance area of 1.5 acres.

- Construction of four water transfer pumping facilities with an approximate total disturbance area of 4.0 acres.

APPROVAL OF THE PROPOSED ACTION IS CONDITIONAL UPON THE FOLLOWING:

- Implementation of the project-wide mitigation measures and procedures as described in Appendix C.
- Adherence to the Conditions of Approval described in Appendices D and E.
- Adherence to oil and gas lease and right-of-way grant stipulations.

RATIONALE FOR THE DECISION

The decision to approve the operator's proposed development was based on the following factors: 1) consistency with the land use and resource management plans; 2) national policy; 3) agency statutory requirements; 4) relevant resource and economic considerations; 5) application of measures to avoid or minimize environmental harm; 6) finding of no significant impact; and 7) public comments.

1. Consistency with Land Use and Resource Management Plans

The Proposed Action is in conformance with the overall planning direction for the area. The objective for oil and gas management decisions described in the Great Divide Resource Management Plan, 1990, is to "provide opportunity for leasing, exploration, and development of oil and gas while protecting other resource values." The project also meets the objectives of the Lands Program which is to "support the goals and objectives of other resource programs for managing the BLM administered public lands and respond to public demand for land use authorizations."

2. National Policy

Private exploration and development of federal oil and gas leases is an integral part of the BLM oil and gas leasing program under the authority of the *Mineral Leasing Act of 1920* and the *Federal Land Policy and Management Act of 1976*. The United States continues to rely heavily on foreign energy sources. Oil and gas leasing is needed to encourage development of domestic oil and gas reserves to reduce the United States's dependence on foreign energy supplies. Therefore, the decision is consistent with national policy.

3. Agency Statutory Requirements

The decision is consistent with all federal, state, and county authorizing actions required to implement the Proposed Action. All pertinent statutory requirements applicable to this proposal were considered, including informal consultation and informal conferencing with the U.S. Fish and Wildlife Service.

4. Relevant Resource and Economic Considerations

Environmental impacts from the pilot project to resources identified in the EA are minor and all deemed acceptable. The economic benefit is important due to the tax revenues generated from the development of natural gas.

5. Application of Measures to Avoid or Minimize Environmental Harm

Federal environmental protection laws such as the *Clean Air Act*, the *Clean Water Act*, and the *Historic Preservation Act* apply to all lands and are included as part of the standard oil and gas lease terms. The adoption of the mitigation and monitoring measures identified in Chapters 2.0 and 4.0 of the project EA and contained in this Decision Record in Appendix C, and the Conditions of Approval found in Appendices D and E, represent practicable means to avoid or minimize environmental impacts.

6. Finding of No Significant Impact

Based upon the review of the EA, the BLM has determined that the Proposed Action, with implementation of the protective measures identified in Appendix C and Conditions of Approval identified in Appendices D and E herein, would not cause a significant impact to the quality of the human, natural, and physical environment. Therefore an Environmental Impact Statement is not necessary.

7. Public Comments

Thirteen comment letters were received on the EA during the 30-day comment period that ended February 28, 2002. The following is a list of those responding to the request for public comment.

Office of Federal Land Policy
Wyoming State Engineer's Office
Office of State Lands and Investment
Wyoming Game and Fish Department
Wyoming Business Council
United States Geological Survey
Oregon-California Trails Association
Petroleum Association of Wyoming
United States Fish and Wildlife Service
United States Department of Agriculture-Forest Service
National Wildlife Federation
Rocky Mountain Energy
Biodiversity Associates

The substantive comments are summarized and BLM's responses are found in Appendix B.

APPEAL

This decision is subject to appeal. Under BLM regulation, this decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b)(State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, P.O. Box 1828, Cheyenne, WY, 82003 within 20 business days of the date this Decision Record is received or considered to have been received.



Field Manager

July 29, 2002

Date